

**NOMINATION—U.S. AND FOREIGN COMMERCIAL
SERVICE**

JOINT HEARING
BEFORE THE
**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION**
AND THE
**COMMITTEE ON
BANKING, HOUSING, AND URBAN
AFFAIRS**
UNITED STATES SENATE
NINETY-NINTH CONGRESS
FIRST SESSION

ON
ALEXANDER H. GOOD, TO BE DIRECTOR GENERAL, U.S. AND FOREIGN
COMMERCIAL SERVICE

NOVEMBER 19, 1985

Printed for the use of the
Committee on Commerce, Science, and Transportation



U.S. GOVERNMENT PRINTING OFFICE

56-334 C

WASHINGTON : 1986

5241-21
5261-30

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

JOHN C. DANFORTH, Missouri, *Chairman*

BOB PACKWOOD, Oregon

BARRY GOLDWATER, Arizona

NANCY LONDON KASSEBAUM, Kansas

LARRY PRESSLER, South Dakota

SLADE GORTON, Washington

TED STEVENS, Alaska

BOB KASTEN, Wisconsin

PAUL S. TRIBLE, Jr., Virginia

ERNEST F. HOLLINGS, South Carolina

RUSSELL B. LONG, Louisiana

DANIEL K. INOUE, Hawaii

WENDELL H. FORD, Kentucky

DONALD W. RIEGLE, Jr., Michigan

J. JAMES EXON, Nebraska

ALBERT GORE, Jr., Tennessee

JOHN D. ROCKEFELLER IV, West Virginia

W. ALLEN MOORE, *Chief Counsel and Staff Director*

RALPH B. EVERETT, *Minority Chief Counsel and Staff Director*

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

JAKE GARN, Utah, *Chairman*

JOHN HEINZ, Pennsylvania

WILLIAM-L. ARMSTRONG, Colorado

ALFONSE M. D'AMATO, New York

SLADE GORTON, Washington

MACK MATTINGLY, Georgia

CHIC HECHT, Nevada

PHIL GRAMM, Texas

WILLIAM PROXMIRE, Wisconsin

ALAN CRANSTON, California

DONALD W. RIEGLE, Jr., Michigan

PAUL S. SARBANES, Maryland

CHRISTOPHER J. DODD, Connecticut

ALAN J. DIXON, Illinois

JIM SASSER, Tennessee

M. DANNY WALL, *Staff Director*

KENNETH A. McLEAN, *Minority Staff Director*

C O N T E N T S

LIST OF WITNESSES

	Page
Opening statement by Senator D'Amato.....	3
Opening statement by Senator Dixon.....	3
Good, Alexander H	5
Biographical sketch.....	5
Pre-hearing questions of the minority and the answers.....	3
Wilson, Hon. Pete, U.S. Senator from California, statement.....	1
Post-hearing questions of Chairman Danforth and the answers.....	13
Post-hearing questions of Chairman Garn and the answers.....	17
Post-hearing questions of Senator Proxmire and the answers.....	20
Post-hearing questions of Senator Sasser and the answers.....	26

(III)

ALEXANDER H. GOOD TO BE DIRECTOR GENERAL, U.S. AND FOREIGN COMMERCIAL SERVICE

TUESDAY, NOVEMBER 19, 1985

U.S. SENATE,
COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION AND
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committees met, pursuant to notice, at 4:05 p.m., in room SR-253, Hon. John C. Danforth (chairman of the Senate Committee on Commerce, Science, and Transportation) presiding.

Staff members assigned to this hearing: Mary Pat Bierle, professional staff member; and David St. John, minority professional staff member.

Chairman DANFORTH. We are here to address the nomination of Alexander Good to be Director General of the U.S. and Foreign Commercial Service. I am delighted you are here, Mr. Good, and that you are represented by your counsel. Senator Wilson, would you like to proceed?

STATEMENT OF HON. PETE WILSON, U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you very much, Mr. Chairman, Mr. Chairman plural, and Senator D'Amato. I am delighted to have the opportunity to appear here today to introduce Mr. Alexander Good, who has been nominated by the President to be the Director General of the U.S. and Foreign Commercial Service.

Anyone who has paid even the slightest attention to the issues of the day as they are debated here in Washington knows that our trade deficit is one of this Nation's most troubling and intractable problems. I would put it second on my list right after the Federal budget deficit.

Indeed, the budget deficit contributes substantially to the trade deficit, which in turn causes a major rippling of damage through our economy. And while we have struggled with the reformation of our fiscal policy, there are many things that can be done. There are other important paths we can pursue to deal with our trade imbalance. Specifically we can search out markets yet untapped by U.S. companies, study them and then set a plan to serve them with American goods and services.

Mr. Chairman, in a perfect world, one unfettered by restraints on trade, by onerous nontariff barriers and collusive foreign corporate practices, in a world not requiring national security export

controls, foreign market research and penetration would be a job solely for private industry to undertake.

However, we do not live in such a world. Therefore, if our domestic companies are going to have a fair chance to compete in foreign markets, it is necessary for them to have some help from the Federal Government.

Mr. Chairman, this is where the U.S. and Foreign Commercial Service comes in. It provides assistance to American businesses of all sizes who want to enter and expand in foreign markets. Mr. Chairman, Alex Good is particularly qualified to serve as the director general of the U.S. and Foreign Commercial Service at this particularly difficult time.

Even despite his obvious youth, he has very significant Government experience, which is directly relevant to the post to which he has been nominated. This experience will help him perform the very tough job that needs to be done to give that critical assistance to American companies seeking to compete in foreign markets.

Let me briefly review for the committee just some of Mr. Good's accomplishments. He is currently serving as Deputy Assistant Secretary for International Economic Policy in the International Trade Administration at the Department of Commerce. In this position he has direct responsibility for policy that affects our relations with two of the most important international economic organizations: The General Agreement on Tariff and Trade Organization and the Organization for Economic Cooperation and Development. His experience in this area complements his work with trade counseling and promotion programs with the International Trade Administration at Commerce.

Prior to his work at Commerce, Mr. Good was the Deputy Solicitor at the Department of Interior. His responsibilities there gave him important managerial experience that, from an organizational standpoint, is very similar to what he will be involved with in his new position once he has been confirmed by the Senate.

Finally, I must not fail to note for the Committee that Alex Good is a native Californian. I say that with, I think, understandable pride. He received his undergraduate degree from the University of California at Berkeley. He went on to graduate cum laude from Loyola University School of Law and then went to work for the very prestigious Los Angeles law firm, O'Melveny & Myers.

Mr. Chairman, I believe that the President has made a very wise choice in nominating Alex Good. I know the committee to be in receipt of his complete record and I am, in the interest of time, not going to dwell upon his outstanding academic and professional experience. Certainly, his experience and performance at the Department of Commerce, which is directly relevant to the responsibility that he will undertake in his, new job, and his academic and other professional experience certifies that the President has made a very wise choice in nominating him. And I urge the committee to favorably report his nomination to the full Senate as soon as you are satisfied that you have had ample opportunity to examine him.

Thank you very much.

Chairman DANFORTH. Thank you very much. Any questions for Senator Wilson? Thank you. We have a statement from Senator

D'Amato along with your prehearing questions and answers and biographical sketch which we will include in the record.

[The material follows:]

OPENING STATEMENT BY SENATOR D'AMATO

I am pleased to welcome to this joint committee meeting the nominee to the position of Director General of the U.S. and Foreign Commercial Service, Alexander Good. His academic, and legal accomplishments qualify him to serve in this capacity.

He is a graduate of the University of California at Berkeley and the Loyola Law School, and he has distinguished himself in the private and public sectors. Mr. Good has ably served this administration at the Interior Department where he was the Deputy Solicitor and the Commerce Department where he has been the Deputy Assistant Secretary of International Economics.

His experience will enable him to address the problems confronting American firms that engage in international trade at a time when we need to encourage more trade promotion. I am heartened that someone with the knowledge, experience, and expertise of Mr. Good has been nominated to serve as Director General. We are fortunate to have an individual of his caliber make a commitment to public service. I look forward to his confirmation and to his future appearances before the Banking Committee.

OPENING STATEMENT BY SENATOR DIXON

I'm pleased to be here this afternoon as the Senate Banking Committee, together with the Senate Commerce Committee, meets to consider the nomination of Alexander H. Good to be Director General of the U.S. and Foreign Commercial Service.

The Commercial Service has an important role to play in stimulating the growth of U.S. exports. I'm pleased with the job the Service has been doing in recent years. I look forward to hearing from Mr. Good on his plans to further improve the Service and on his views on what further might be done to help encourage the growth of U.S. exports.

PRE-HEARING QUESTIONS OF THE MINORITY AND THE ANSWERS

Question. For the hearing record, please outline your qualifications for the position of Director General of the U.S. and Foreign Commercial Service with special emphasis on your experience in the promotion of U.S. products abroad. Why do you want this job?

Answer. Since joining the International Trade Administration in the summer of 1983 as the principal Deputy Assistant Secretary for International Economic Policy, I have been actively involved in the ITA's efforts to promote U.S. products abroad. I have directed the supervision of senior commercial officers overseas and worked closely with officers to develop the Post Commercial Action Plans (PCAP). I have been actively involved in the review of the procedures to ensure that the PCAP plans are developed with hard-hitting and appropriate promotional objectives.

Additionally, I have worked closely with our country desk officers and our overseas officers in establishing export promotion goals. During visits overseas, I met with representatives of foreign governments as well as our industry representatives to review the difficulties of making overseas sales. In addition, I have been actively involved in overseeing the implementation of the MTN code and have personally supervised and participated in a number of Government Procurement Conferences. I have also led efforts to address problems and to implement the MTN code in connection with apparent violations of a major French computer purchase.

Since I have had the opportunity to work together with many of our overseas officers, I have become familiar with many of the officers' ideas as to promotion of exports. Some of those ideas have already been put into action.

Moreover, I was involved in the establishment of the Export Promotion Service of the US&FCS. EPS is responsible for developing and delivering the products and services for our domestic and overseas offices. I have often served on the Export Promotion Services Board which oversees the activities of EPS. Perhaps most importantly, I have worked hand-in-hand with U.S. business attempting to enter and expand sales in foreign markets. This experience has given me an insight into the

difficulties and an understanding as to how the U.S. Government must operate in concert with business to expand our exports and to expand our base of exporters.

In addition to my work with our overseas officers and Export Promotion Service, I have on numerous occasions worked with the US&FCS District Offices, in conjunction with the Caribbean Basin Initiative, with promoting Foreign Sales Corporations, with developing Export Trading Companies, and with promoting Government Procurement Conferences.

I believe this experience has given me a solid foundation and a good knowledge of the operations of the US&FCS, including trade promotion, the programs and services offered by the US&FCS, and the difficulties faced by U.S. business abroad. I am convinced that I can make a contribution to the efforts of the Service to increase the effectiveness of its programs, to strengthen the capabilities of the officers in the Service and to pursue our national goal of increasing our exports. For these reasons, I would like very much to have the challenge of being the Director General of the U.S. and Foreign Commercial Service.

Question. What do you feel are the reasons for the rapid increase in our nation's trade deficit—how significant is the role of the US&FCS in the effort to alleviate this problem? What are your goals and objectives for the Service in this regard?

Answer. The record increase in this nation's trade deficit is caused by a number of factors. While it is difficult with any certainty to know which factors have contributed what percentage of the increase in our trade deficit, certainly there are some major factors. First, the high value of the dollar is, of course, a major factor. Second, the differential growth rates between the United States and its major trading partners, especially in Europe, has been a contributing aspect. Third, very closely related to this, is the LDC debt crisis which has drastically reduced our exports to some of our best customers. Also, lack of access to markets overseas and unfair trade practices by our competitors also plays a major role.

The US&FCS may not be able to directly affect the value of the dollar, but there is a significant role for the US&FCS in improving our trade balance.

The US&FCS can strengthen U.S. companies' ability to compete effectively by providing accurate data, information and counseling on a timely basis. The US&FCS also closely monitors the trading practices and policies of our competitors to ensure that they are fair and in concert with major international agreements, including the GATT. Where there are violations, the US&FCS should respond vigorously and quickly to apprise senior policy officials of unfair trade practices, market barriers and other trade distorting mechanisms. The US&FCS can also play a major role in working with U.S. firms to understand the changing circumstances in the international marketplace and to help suggest ways to become more effective in these changing circumstances.

My goals and objectives in this regard would be to make sure that services of the US&FCS are effective in helping U.S. business expand sales in foreign markets. I would strive to increase the volume of exports and the number of exporters. I would direct the US&FCS officers to report and attack trade barriers and unfair trade practices. There is a role for the US&FCS to play in expanding exports, in addressing objectionable trade practices of our competitors, and I would ensure that these will receive the highest priority of the US&FCS.

Question. One problem has become apparent in the U.S. Government's approach to international trade, and that is the lack of coordination among the departments and agencies which deal with trade matters. In what ways does the US&FCS interface with other agencies? Is there room for improvement? What will you do as Director General to increase cooperative activities?

Answer. I want to underscore the need for coordination and close liaison with other trade agencies on important trade issues. Indeed, Under Secretary Smart has made it a high priority area.

US&FCS has working relationships with a number of agencies and I will work to ensure effective coordination with these agencies. For example, our posts and District Offices disseminate information on the trade-related programs and services of the Agency for International Development (AID), the Overseas Private Investment Corporation (OPIC), the Department of Agriculture (Foreign Agriculture Service) and the Small Business Administration. This interaction also includes activities such as joint seminars/workshops as well as training and orientation sessions (for the benefit of our trade specialists and commercial officers). We also maintain an extensive working relationship with the State Department and the USTR, both at the administrative and operational level.

A good example of an important and growing inter-agency linkage is the U.S. Eximbank marketing program being delivered through our Domestic Offices. This gives our Trade Specialists an expanded role in counseling on trade finance. Some

85 trade specialists have already been given intensive training by the Bank as part of this effort.

There is, nevertheless, always room for improvement. I would work to improve our relationship with other agencies where the result will clearly be the provision of useful, comprehensive services being delivered to the business community. The Eximbank marketing effort, for instance, may well be expanded to a nation-wide program (from the original four-state project). Also, I intend to renew discussions with SBA to re-evaluate our agreement with them. I will seek to clarify and improve our joint responsibilities in serving small business firms. I will consider other inter-agency undertakings, including memoranda of understanding (MOU) to ensure that duplication of effort in the trade promotion and program delivery area is avoided.

Question. How would US&FCS improve the effectiveness of the Foreign Commercial Service Officers?

Answer. To ensure the readiness of the US&FCS corps to assist American business seeking export assistance, we will continue to improve our balanced professional development and training program. We will build on the excellent language skills demonstrated by the Foreign Commercial Service Officers by placing a minimum of six officers in language training during FY 86. This would continue to support the results of a recent survey conducted by the Board of Examiners that the U.S. and Foreign Commercial Service (US&FCS) has the highest percentage of language qualified employees in the Foreign Service.

We will continue to provide complete support to the two US&FCS recruitment programs: the Junior Officer Program, and the Mid-Level Entry Program. Both of these programs are career-candidate programs which are in the final stages of identifying the best qualified candidates. The Junior Officers will be placed in the Foreign Service Institute orientation program which will give them insight into the other functions within an overseas mission.

We will continue to support the new four-week Mid-Level Foreign Commercial Service Officer training program which was designed and developed by the US&FCS and conducted for the first time last summer. There are a number of other training activities underway including plans for senior threshold training, career-development opportunities at post through local universities and institutions and ADP training. Training and career development for the Foreign Commercial Service Officers will be complemented by the continuation of the career development for Foreign Service National employees. This year, I will re-establish the overseas regional workshop for mid-level Foreign Commercial Service Nationals to increase their awareness of current policies and trends and to share regional program experiences and opportunities.

BIOGRAPHICAL SKETCH OF ALEXANDER H. GOOD

Name: Alexander H. Good.

Address: 4438 Lowell Street, N.W., Washington, D.C. 20016.

Date and place of birth: December 5, 1949; Glendale, California.

Marital status: Single.

Education: Pasadena City College; Colorado Blvd., Pasadena, Ca., degree, A.A.

University of California, Berkeley; University Ave., Berkeley, Ca., degree, A.B.

Loyola University School of Law; 1440 West 9th St., Los Angeles, Ca., degree, J.D.

Employment record: From August 1975 to 1976; U.S. District Court (Judge A. Andrew Hauk); law clerk.

From October 1975 to 1981; O'Melveny & Myers; Attorney.

From July 1981 to 1983; U.S. Department of the Interior; Deputy and Associate Solicitor.

From August 1983 to present; U.S. Department of Commerce; Deputy Assistant Secretary (IEP).

Government experience: Other than the experience with the federal government as specified above, I have not been affiliated with federal, state or local government.

Chairman DANFORTH. Mr. Good, do you have a statement?

STATEMENT OF ALEXANDER H. GOOD

Mr. GOOD. Chairman Danforth, Chairman Garn, Senator D'Amato, Senator Proxmire, I am both privileged and deeply honored to appear before you today as the nominee for confirmation as Director General of the U.S. and Foreign Commercial Service. I es-

pecially appreciate the willingness of both committees and their staffs, given the large number of pressing issues at hand, to convene this joint session.

Tremendous challenges face U.S. firms today in making and expanding overseas sales. At the same time, I think we all recognize that the necessity for this Nation to export has never been greater. We need to increase our export performance and to do that we must be tough and aggressive competitors.

The U.S. and Foreign Commercial Service with its unique network of 67 domestic offices and 125 foreign offices has the capability through—counseling on market opportunities, managing trade fairs and shows, representing U.S. business interests with foreign governments and through its host of other export promotional activities—to assist American businesses to penetrate foreign markets. This network of offices, working together with the export promotion specialists in Washington is a dynamic force and can be even more effective when combined with the efforts of the U.S. private sector.

In his trade address on September 23, the President underscored his support for and the vital importance of trade promotional activities at the Federal level. The President pledged to strengthen promotional programs, to increase private sector involvement and to work closely with the States in this area. I know Secretary Baldrige shares his commitment to improve our promotional efforts.

If confirmed, I will vigorously pursue these objectives and strive to achieve an effective, hard hitting, and highly visible trade expansion program.

I have the utmost confidence in Americans and American firms to compete, given a fair opportunity, in the international marketplace. By working aggressively with the private sector and the States, I am convinced that the U.S. and Foreign Commercial Service will play a significant role in increasing the number of exporters, the volume of exports, the number of jobs attributable to overseas sales and help America meet the competitive challenge in the international marketplace. Thank you.

Chairman DANFORTH. Thank you. This is a joint hearing and I am overwhelmed by the Banking Committee representation.

Chairman GARN. I am glad you made note of that. I was going to say, Mr. Chairman, that if you had not made note of that, I was certainly going to take great pride in the attendance of the Banking Committee members and their relative promptness. Of course they have been taught about promptness the last 5 years at the hearings in the Banking Committee.

Let me say that I am pleased that you are here and very pleased that with the cooperation of Chairman Danforth we could spare you appearing before both committees separately, and so we can work together on this particular nomination. So I thank the chairman for your cooperation and I have no other comments at this point.

Chairman DANFORTH. Any questions?

Chairman GARN. I might ask you just some boiler plate questions to begin with that we ask of all nominees in the Banking Committee. First of all, do you agree to appear when requested before this and other duly constituted committees of the Congress?

Mr. GOOD. Yes, sir.

Chairman GARN. Will you make every effort in your service as Director General of the U.S. and Foreign Commercial Service not only to avoid conflicts of interest but even the appearance of conflicts of interest?

Mr. GOOD. Yes; I will.

Chairman GARN. You have various economic interests in private enterprises. These do not appear to present any conflicts of interest. Will you refrain during your service from taking any action of particular benefit to these enterprises or from influencing official action for the particular benefit of these enterprises?

Mr. GOOD. I will.

Chairman GARN. Mr. Chairman, I have some questions I would submit for the record but would not take the time of the joint committees to ask them now.

Chairman DANFORTH. All right. Senator Proxmire.

Senator PROXMIRE. Mr. Good, Senator Garn and I and others on the Banking Committee have a great concern about the leakage of our militarily important technology to the Soviet Union. I am sure you are familiar with that.

We passed amendments on the Export Administration Act that we hope can slow down that diversion. I understand that Foreign Commercial Service officers play an important part in prelicense and postshipment commercial checks to establish the bona fides of a foreign firm in connection with shipments to such firms of high technology equipment. This may not always have the high priority for your officers that we think it deserves.

What steps, if any, will you take to ensure that the officers of your service carry out such duties in a diligent and effective way?

Mr. GOOD. Senator, let me just emphasize that I share your concern.

Right now we are involved overseas in both the prelicense checks and the postshipment verifications. The level of activity in this area has increased substantially over the last few years. Notwithstanding that, for our foreign officers, it probably accounts for no more than 5 percent of their time. But it is a responsibility that we take very seriously.

With the prelicense checks, I think that the main responsibility here is to undertake to check the bona fides of the potential consignee. And we do that through whatever methods we need to in order to make an appropriate validation. In over 80 percent of those cases we can actually validate that the consignee is an appropriate recipient of the technology.

In the postshipment verifications, we do significantly fewer of those. That action is simply to verify that a commercial activity has taken place as it was represented in the license application.

We have a number of training programs before officers go out to make sure they understand the process and procedures and we continue as we bring officers in for home leave and consultations to make sure that they understand the provisions of the law, of the new regulations and have a chance to meet with our export administration and export enforcement officers as they explain those provisions.

Senator PROXMIRE. That is good to hear but as you know, the Soviet Union has a very systematic, very large, very aggressive system of trying to get our technology. No question they are behind us. Somehow they are able to follow within a few months, often when we have military innovations that are enormously important to us, and that have been developed at great cost to us.

And I would hope that you would be as aggressive as you possibly can in that respect because I think it is a matter of very great importance to our national security.

Your predecessor, Mr. George, was asked during his confirmation hearing in 1983, what steps he would take to increase the effectiveness of the Foreign Commercial Service. Mr. George, noting that the Service could be no better than the quality of its people, said hiring the right people, maintaining their motivation and loyalty to the organization, and providing a career path for them that will retain those people is going to be an important function of management.

That is, of course, an excellent general response but I wonder if you could be more specific in how you would expect to achieve hiring the right people and maintaining their motivation and loyalty.

Mr. GOOD. Senator, let me say that I think we have come a long way from our start in 1980. We are a fairly young organization. At the time we came over from the State Department, there were 162 foreign officers. Of those positions, that is positions that came over, less than 25 percent of those positions were filled with foreign officers.

So we had a significant challenge to increase the career ranks. I think we have done a fairly good job. My predecessor did a very good job. Now only 28 percent of our foreign officers are limited appointments. So we have increased the number of career people fairly significantly.

When we hire people, we look for specific talents, capabilities, and private sector experience that is going to be helpful to us in our overseas responsibilities. For example, Senator, we have made a very strong push to recruit people with hard language capabilities, Mandarin, Cantonese, Japanese, and I think we have now a very strong core of people with these hard language capabilities.

We have also upgraded the training programs. We not only have an entry level training program for new officers but we have a midlevel officers course and we now have a course that is on the drawing boards for officers that are about to enter the Senior Foreign Commercial Service.

So we have attempted not only in the recruitment process to isolate specific talents and recruit people with those talents but also once people are on board, to make sure they get the requisite training.

Senator PROXMIRE. Let me ask you a specific question with respect to your own qualifications. What advantage do you see for the United States, if any, in having the Director General and Deputy Director of the Foreign Commercial Service filled by persons who have no experience working with American business on overseas problems or any experience working overseas as members of the Foreign Commercial Service?

You, as I understand, do not have such experience, is that correct?

Mr. GOOD. Senator, I have been involved in international trade for the last 2-plus years with the Department of Commerce, doing a lot of work with not only our overseas officers but also U.S. businesses.

Senator PROXMIRE. But that has been here in Washington?

Mr. GOOD. That has been, Senator, prior to coming to the administration, I practiced law, as Senator Wilson noted, with O'Melveny & Myers. And we represented a number of clients that were in international trade. I did not work for a particular company that was involved in sales but we represented such companies.

Senator PROXMIRE. You have not worked overseas with American business or worked as overseas members of the Foreign Commercial Service?

Mr. GOOD. I worked very closely since joining the Government with our offices overseas and with businesses overseas and helped them crack markets, and hopefully to understand the difficulty they had in penetrating markets, try to develop policy responses so that we could get into those markets.

Senator PROXMIRE. Do you see any value in having overseas or business or worked as a member of the Foreign Commercial Service?

Mr. GOOD. I certainly think that it would be a plus, having had that experience. I like to think that I bring some other things to the table that are equally important.

Senator PROXMIRE. I think you do. I don't mean to be critical. I just wanted to hit that particular area. All the questions can't be softballs, unfortunately.

I have one or two other questions but I will yield.

Senator WILSON. Chairman Danforth, if I may, now that Senator Gorton has arrived and you are no longer left alone with the Banking Committee, I think I will take my leave, if you will excuse me.

Senator PROXMIRE. You know, Senator Gorton hits from both sides of the plate. He is on the Banking Committee, too.

Chairman DANFORTH. We are getting used to your presence.

Senator WILSON. I don't want to prejudice the candidate. I think that was a clue.

Though you have arrived after me, Senator, I don't want to prejudice the candidate.

Chairman DANFORTH. You think, Mr. Good, can we sell any California wine in France? Could you do work on that?

Mr. GOOD. That is an uphill road but I think I do my part when I am over there drinking it.

Senator WILSON. Enough of this levity, Mr. Chairman. Thank you.

Chairman DANFORTH. Senator Dixon.

Senator DIXON. I have no questions, Mr. Chairman. I am delighted to see Mr. Good, to have his testimony. I have a very brief statement for the record and I thank the chairman.

I'm pleased to be here this afternoon as the Senate Banking Committee, together with the Senate Commerce Committee, meets to consider the nomination of Alexander H. Good to be Director General of the U.S. and Foreign Commercial Service.

The Commercial Service has an important role to play in stimulating the growth of U.S. exports. I'm pleased with the job the Service has been doing in recent years. I look forward to hearing from Mr. Good on his plans to further improve the Service and on his views on what further might be done to help encourage the growth of U.S. exports.

Chairman DANFORTH. Senator Mattingly.

Senator MATTINGLY. I have no questions, Mr. Chairman, but I would like to welcome Mr. Good. I hope you get a speedy confirmation, though acting with speed is not one of our strong points. By the way, I am certainly glad to see that somebody else from the Commerce Committee did show up. Thank you.

Chairman DANFORTH. Senator Gorton, I am so happy you are here. Any questions or comments?

Chairman GARN. You can only count half of him.

Senator GORTON. I have no questions but, Mr. Chairman, I think you are very generous to show off a high-class committee room to these poor people from the Dirksen Building.

Chairman DANFORTH. Mr. Good, looking at the U.S. and Foreign Commercial Service, thinking about what lies ahead, what excites you the most? What do you think are the greatest opportunities and what sorts of changes do you think that you could make during your tenure?

Mr. Good. Mr. Chairman, I guess what excites me the most in the trade field is that I see trade being elevated as a national priority and I think that is absolutely crucial for this country. I think there is a major role for the U.S. and Foreign Commercial Service to play in promoting exports abroad and I think that is really the name of the game.

We have to be much more aggressive in attacking unfair trade practices overseas, in attacking closed markets, and in helping our businesses understand exactly what it takes to get into those markets. I think we have a number of good services and programs that can assist, especially in small- or medium-sized businesses, enter into markets for a very reasonable cost.

I might mention a couple: Catalog shows and video catalog shows where for around \$100, an exporter here, a small business here can put together a piece that goes into a catalog show or part of a video that can be sent around to different countries and, through that very inexpensive way, gain some fairly significant international recognition in many different countries.

Hopefully, if that small- or medium-sized business makes some sales, they will want to be involved in our trade fairs and trade promotion programs and actually go overseas.

We have a number of new ideas. We are now instituting a foreign buyer program where we bring buyers from overseas into the United States. We think that is an extremely cost-effective way of doing business and allowing our small- and medium-sized businesses again to have the exposure to foreign buyers without having to take the time and expense of going overseas.

There are a number of other ideas, Mr. Chairman, and I am excited about the prospect of increasing awareness in our small- and medium-sized businesses of the potential profitability in exports.

Chairman DANFORTH. I hear just about every day that the problem with the United States in international trade is that our people don't try hard enough. For example, today I was told by a group representing automobile importers that the problem with us doing business in Japan was that the steering wheels are on the wrong side. You hear that sort of thing over and over again.

How do we get the attention of American business? Is that part of your job, getting the attention of American business and saying, look, let's try to do a better job?

Mr. GOOD. I think we do some of that. Certainly in our counseling if there is a product that needs to be modified for a foreign market, we encourage the manufacturer to make such modifications and try to convince them that there is going to be a sufficient market to justify those changes, when it is our opinion that that is indeed the case.

I think there is only so much we can do in that regard, but it is something we certainly push when we have the opportunity to do so.

Chairman DANFORTH. Is selling agricultural products solely the job of the Department of Agriculture or is that your job as well?

Mr. GOOD. As you know, Mr. Chairman, they do have a Foreign Agricultural Service. We attempt to work with them when they do not have an officer in the country or work with the Agriculture Department when they do not have an agricultural attaché.

I must say they have the lead on that, clearly, but we try to provide whatever assistance we can.

Chairman DANFORTH. I have always had the idea that we store too much cheese. It is produced in Senator Proxmire's State and stored in mine. We are delighted to have business, but it is kind of a ridiculous situation.

I have always felt the world could develop a taste for cheese if we really tried. Do you have any thoughts that you could either sell it to the rest of the world or get the Department of Agriculture to sell it to Japan, for example? Everybody who eats cheese likes it, right?

Mr. GOOD. A lot of them seem to, that is for sure.

Chairman DANFORTH. Well, I don't know but that's my thought.

Mr. GOOD. I will certainly take that under submission and see what we can do in that area, Senator.

Senator PROXMIRE. If the chairman would yield, I would like to point out that I am so happy he referred to cheese. We produce 40 percent of all the cheese produced in the entire country, 9 percent of all the cheese produced in the entire world. So anything you can do to push cheese in China, Japan, et cetera, and they eat very little of it over there, unfortunately.

Mr. GOOD. I will be happy to look into that, Senator.

Senator PROXMIRE. Mr. Good, I want to pursue a little further the career opportunities, not much but a little bit further. When the Foreign Commercial Service was first established in 1979, it provided career advancement opportunities up to and including the position of the Director General, of which you are being considered.

In recent years, however, that position and the immediate deputy position are being filled with noncareer appointees. What alternative advancement opportunities are being provided to assure that

the Service's best officers have career incentives to remain with the Service and what are the other top positions in the Service and are they being filled with career appointees?

Mr. GOOD. Well, Senator, once again I think we have come a long way since our formation in the opportunities we are providing to career officers. I think it is as late as 1982 we had 13 slots in the Senior Foreign Commercial Service. Only seven of those slots were filled by career people. Today we have 13 slots, 13 of 18 that are filled by career people.

In addition to providing those kinds of opportunities in our senior important posts, we have also brought back a number of our Senior Foreign Service officers to hold down substantial positions of responsibility in the International Trade Administration. Let me give you a couple of examples.

Our former commercial counselor, a career person in Beijing, has recently reported to be the Deputy Assistant Secretary for East Asia and the Pacific in the international economic policy. Another Senior Commercial Service officer, Wally Lenahan, is now serving as Deputy Assistant Secretary for Textiles and Apparel, a very important position in the trade development group.

We also have George Muw, serving as our Deputy Office Director of Japan, who is a Senior Foreign Commercial Service officer. And George is about to go out again to head up our office in Korea, but he spent a number of years in Japan and then we brought him into the office of Japan. We are now replacing George with another Foreign Service officer from Japan, Michael Benefiel, who will bring in and take advantage of the expertise that he gained while working in Tokyo for the last few years.

So there are some significant exchanges going on. We try to take advantage of the capabilities, the talents and the experience of our Senior Foreign Commercial Service officers. We are concerned about the growth path within the Service. We are limited in the opportunities we can offer them overseas, and we hope at some future date to address that issue.

Senator PROXMIRE. Finally, I have a question on the basis of the GAO report that was critical of the Foreign Commercial Service in three respects. In October 1982 GAO issued a report entitled "Problems Hampering Foreign Commercial Service Progress."

In that report the GAO noted the deficiencies of the headquarters level in the Foreign Commercial Service were, "a factor in the poor management of its recruitment, training and placement system, which hindered overseas commercial operations."

If confirmed in your new position, will you take steps to ensure, No. 1, that long-term vacancies in overseas positions do not occur and ensure us that you will take steps in that direction?

Mr. GOOD. I will take all steps necessary to minimize the occurrence of that. There are times when we get a sudden resignation which makes it difficult not to have a couple months overlap, but certainly our job is to have as much continuity in the overseas service as we possibly can.

Senator PROXMIRE. What can you do to see that new recruits are adequately trained before being assigned abroad?

Mr. GOOD. We have a training program for all new recruits that is 6 weeks long.

Senator PROXMIRE. Has it changed since 1982 when the GAO criticized it?

Mr. GOOD. It has been upgraded.

Senator PROXMIRE. How has it been upgraded?

Mr. GOOD. In terms of the geographic coverage, in terms of export control training, in terms of going out to the district officers to learn specifically what our district officers do. We have added counterterrorism programs so there are a host of things that have been changed.

I believe some of those were in response, Senator, to the GAO concerns.

Senator PROXMIRE. For the record, would you provide the details of the changes that have been made since that report with respect to new recruits being trained?

Mr. GOOD. I would be happy to do that.

Senator PROXMIRE. Finally, their final criticism is new recruits were placed in locations where their talents were not utilized.

Mr. GOOD. I am not aware of any specifics in that area. I can say we have had a major initiative to try to recruit, as I mentioned, people with hard language capability. And we have increased the number of people we have in China, for example, about the last year by six positions.

Those people were recruited with the language capabilities. And we think we are putting them to use where they belong.

Senator PROXMIRE. Mr. Chairman, I am very impressed with this nominee. He is certainly extraordinary, articulate, and intelligent and I commend the President on this appointment.

Mr. GOOD. Thank you, Senator.

Chairman DANFORTH. Any further questions?

Chairman GARN. I have no further ones at this time.

Senator PROXMIRE. We have some questions for the record also.

Chairman DANFORTH. There may be some questions for the record. I want to agree with Senator Proxmire. I was very impressed with your résumé, and I am even more impressed with your presentation. You have done an excellent job. Obviously you know the Service very well. You know the people and you know the programs and I wish you well.

Senator PROXMIRE. May I say, Senator Cranston has another hearing and he wanted to be here so I presume that the best thing we can do is permit him to have his questions submitted if he has any.

Chairman DANFORTH. Certainly. I would be happy to do that.

Thank you very much, Mr. Good.

Mr. GOOD. Thank you.

Chairman DANFORTH. That concludes the hearing.

[Whereupon, at 4:35 p.m., the committees adjourned.]

[The following information was subsequently received for the record:]

POST-HEARING QUESTIONS OF CHAIRMAN DANFORTH AND THE ANSWERS

US&FCS ACCOMPLISHMENTS

Question. The U.S. and Foreign Commercial Service is a young agency. Since its creation in 1980, what have been the Service's most important accomplishments?

Answer. With its network of skilled trade professionals located in approximately 125 overseas posts in 66 countries, and 47 domestic district offices throughout the United States, the U.S. and Foreign Commercial Service (US&FCS) is the only U.S. Government organization involved in international trade with both a worldwide field presence and delivery system. This unique strength has made the US&FCS a highly effective force for promoting U.S. exports.

Since the inception of the US&FCS in April 1980, significant accomplishments have included:

Integration of the Foreign Commercial Service with the U.S. Commercial Service to create a single service delivery network to promote U.S. commercial interests abroad and provide for direct communication links between district offices and overseas posts. The District Office Trade Specialist and FSN Orientation Programs provide extensive training and job exchange opportunities that sustain and enhance this linkage.

Upgrading the image of the Commercial function at American Embassies abroad. Commercial officers are an integral part of the embassy and active participants of each Ambassador's country team. Increasing U.S. exports and assisting U.S. business is recognized as an important and growing goal within the embassies.

Successful completion of a four-year intensive recruitment effort designed to select professional career officers equipped with the skills, knowledges and capabilities to represent effectively U.S. commercial interests abroad.

Development of worldwide identity for US&FCS commercial efforts. Symbolized by the double eagle, and proudly displayed in our overseas and domestic offices, at our trade events and domestic seminars, and on our products, it provides U.S. business with a means of immediately identifying its commercial representatives at home and abroad. Worn on the lapel of US&FCS employees, it plays a role in increasing the esprit de corps.

Implementation of the Administration's Caribbean Basin Initiative (CBI), involving coordination of all U.S. Government efforts to increase trade and investment in the region included CBI seminars and workshops, special publications, business development missions, the Active Cable Network, and overseas CBI product exhibits.

Forged a continuing link with 51 District Export Councils (DECs) with approximately 1,800 members at the grass-roots level through the United States. DECs represent an effective multiplier organization for stimulating interest in exporting and provide a powerful volunteer re-enforcement of our outreach efforts. Through the President's Export Council, the DECs provide important representation for U.S. interests on major export issues.

Creation of a strong cooperative working relationship with regional American Chambers of Commerce (AMCHAMS) around the world to complement and strengthen both of our efforts. We have established annual joint meetings, tied to our annual Senior Commercial Officer Conferences worldwide to discuss and coordinate our activities aimed at improving the U.S. commercial position abroad.

Creation of US&FCS' new Export Promotion Services (EPS) unit which integrates program and marketing management responsibility for overseas event and information services with the means for delivering those services—US&FCS domestic and overseas offices. EPA provides a marketing focus for our promotion efforts which enhances our ability to deliver quality services to a broader audience.

Re-focusing efforts and resources on programs and services that better support U.S. business efforts to sell its products and services abroad and a concentrated effort to support the Administration's privatization efforts. Examples of new initiatives and/or refinements to existing programs include:

An improved market research program which strengthens our overseas commercial intelligence capability and develops more product and sub-sector specific information for U.S. business;

Establishment of four Regional Export Development Offices to support the work of SCOs in building a cohesive and coordinated trade promotion program for U.S. business;

New, pilot Foreign Buyer Program designed to attract more foreign businesspersons to domestic trade shows and give small firms' access to qualified foreign buyers without having to leave the U.S.;

Trade Fair Certification program which recognizes select overseas trade fairs organized by the private sector, and provides a variety of support services to private organizers. At virtually no cost to the U.S. Government, this program has supported seven major fairs in the Peoples Republic of China alone;

Special seminars and special procurement conferences focused on identifying business opportunities for U.S. firms;

Joint initiatives with other agencies including SBA, USIA, FAS, EXIMBANK, and AID to enhance our ability to get more small and medium-size companies into exporting. These efforts include, for example, our Matchmaker trade events with SBA; targeting of projects with AID; programs at post to support and facilitate FAS promotional activities where agriculture is the major export target of opportunity; and efforts with EX-IM Bank to encourage use of their financial programs.

Implementation of two complementary management planning systems, the Management Planning and Performance Appraisal System and the Post Country Action Plan, to direct and focus our commercial efforts abroad.

Question. Please identify your major goals for your tenure as Director General for the U.S. and Foreign Commercial Service (US&FCS).

Answer. As the Director General of the U.S. and Foreign Commercial Service I would continue to pursue the US&FCS' major objectives, specifically, to increase the base number of U.S. firms exporting and the value of U.S. exports. US&FCS with its worldwide field offices is strategically positioned to help the U.S. business community, especially small- and medium-sized firms, enter the export trade process. US&FCS will develop an aggressive export awareness program, products and services which respond to the specific needs of the American business community, and a timely and efficient delivery service.

Some of the programs I would develop to help US&FCS accomplish these goals are:

(1) To increase the public's understanding of the international trade process, US&FCS will work with The Advertising Council, Inc. to implement an export awareness campaign. Promotional ads encouraging American business owners to export will be sent to nearly 3,500 business publications. US&FCS will establish an 800 toll-free number, which will serve as a "hot line" for export inquiries. This will allow more direct access with members of the business community and we will be able to refer them to the appropriate US&FCS District Offices for export counseling and guidance.

(2) In the continuing process to refine our services and products to meet the needs of our clients, US&FCS is launching a pilot foreign buyers program designed to bring foreign buyers and domestic sellers together. This program will attract more foreign businesspersons to our domestic trade shows to give small new-to-export firms access to qualified foreign buyers without leaving the U.S.

US&FCS will also initiate a new pilot Rep Fair program. Rep Fairs scheduled for FY 1986 are planned to give up to 300 exclusively small, new-to-export firms an opportunity to participate in overseas events at virtually no cost other than their own travel. We will accomplish this at no direct cost to the government, by charging fees to attendees (other than participants) calculated to recover our costs.

(3) A service organization is only as good as its employees, and US&FCS is no exception. As Director General I would continue to improve the effectiveness of the corps through targeted recruitment methods and allocation of our officers overseas. Many of our new officers come to US&FCS with varied backgrounds; a number were employed by multinational firms such as IBM, Bank of America, and International Harvester. These individuals from the private sector, working with experienced former State Department officers and Commerce Department officials overseas, are a growing corps of professionals.

While the major goals of US&FCS are trade promotion related, we also realize the other important roles we play in helping the American business community understand export control and licensing requirements. As the Director General I would ensure that the corps continue to receive the necessary training needed to counsel businesses on the export licensing procedures.

I am committed to trade expansion and as the Director General I would work with the corps to continue the efforts to install an aggressive and effective trade promotion campaign.

Question. During his nomination hearing in 1983, your predecessor discussed several issues of concern for the Service. One of these was the need to increase contacts between the U.S. business community and the Service's district offices in this country. How are these contacts accomplished and what are your plans for future improvement in this regard?

Answer. The contacts which occur between US&FCS district offices and the business community are made in a variety of ways. Perhaps the most important is counseling activity. Individual counseling to business firms is a fundamental job responsibility of all professional and para-professional employees of the domestic component of the U.S. and Foreign Commercial Service. In fiscal year 1985, over 123,000 counseling sessions were conducted. This counseling service provided by our Trade

Specialists is, in all likelihood, the most effective service that government can offer to facilitate the entry of a firm into export markets.

In addition to the individual or one-on-one counseling provided to business firms, an integral part of this function is the group counseling which is provided through workshops, seminars, and conferences. This has proved to be an effective technique for providing marketing information to groups of varying size. It offers exceptional opportunities to encourage desired responses through guidance provided by experienced and qualified program participants. In fiscal year 1985, 3,500 export marketing seminars were sponsored or co-sponsored by the US&FCS district offices.

The next method by which we increase our contacts with the business community is through our representational/promotional activity. Our offices are responsible for working with multipliers within the business community and appropriate state and local governments to advance the objectives of U.S. export trade expansion. For example, we work with the 1,800 members of the District Export Councils and with State Economic Development Agencies. In addition, approximately 900 organizations serve as Associate Offices of the district offices, effectively serving as multipliers of our export expansion efforts.

In the future, we will continue to use existing programs aggressively. In addition, the US&FCS will implement new training programs for our employees to increase their level of professionalism and competence in the area of international trade. The US&FCS has increased our overseas exchange program, sending more of our domestic people around the world to gain the important first-hand knowledge of the markets they deal with.

With respect to our representational/promotional activity, we are implementing an ambitious Federal/State initiative to strengthen further the cooperative efforts for export promotion. We will be staging a series of state export promotion conferences around the country in cooperation with the State governments. Through these and other outreach efforts, we hope to broaden significantly the contacts activity of our organization.

Another aspect of our trade promotion effort is to increase the public's understanding of the international trade process. US&FCS will work with The Advertising Council, Inc. to develop an all-volunteer export awareness campaign. Promotional ads encouraging American businessowners to export will be sent to nearly 3,500 business publications. US&FCS will establish an 800-toll-free number, which will serve as a "hot line" for export inquiries. This will allow more direct access to the business community and we will be able to refer them to the appropriate US&FCS District Offices for counseling.

Question. How will the US&FCS use the resources of the National Bureau of Standards to help promote U.S. products and services abroad?

Answer. As part of the President's trade policy initiative, the Department of Commerce is working at all levels to ensure a coordinated trade promotion effort. Among these is a new proposal for a cooperative relationship between the International Trade Administration and the National Bureau of Standards, so that each may benefit from the other's expertise and contacts, domestic as well as overseas. ITA is currently studying such a relationship, and a number of meetings have already taken place toward this goal: Mr. John Donaldson of NBS attended the US&FCS senior commercial officers conference for Latin America in Caracas, Venezuela (Oct. 21-23) and briefed our officers on his agency's needs and concerns. On November 18 the first ITA-wide meeting on the NBS trade promotion proposal was held.

ITA is currently working on establishing a formal mechanism to take advantage of NBS contacts and information to facilitate its trade promotion efforts. As part of this, US&FCS is currently investigating the viability of the India/Pakistan initiative for a joint technical seminar and trade show on measuring instrumentation. If successful this could lead to joint sponsorship of numerous other trade events (trade fairs, trade missions, seminar missions, and catalog and video-catalog exhibits). As NBS assists developing countries establish their own national laboratories, our US&FCS overseas officers can ensure that U.S. manufacturers of the needed equipment are notified of the opportunities that this creates. Domestically, we are reviewing whether NBS data could be incorporated into US&FCS market research, and NBS contacts with U.S. manufacturers could give our domestic District Offices additional new-to-export or new-to-market firms to counsel on the advantages of international business.

Question. What is ITA's role in the promotion of seafood exports? What steps is US&FCS taking to reduce the fisheries trade deficits?

Answer. The US&FCS has been actively cooperating with National Oceanic and Atmospheric Administration (NOAA) on a seafood promotion program for several

years. In August 1982, a Memorandum of Understanding (MOU) was signed with NOAA whereby the International Trade Administration agreed to assist in promoting export of U.S. seafood. The US&FCS and NOAA have, together, continued to devote significant time and manpower in support of U.S. seafood exports.

For example, in FY-85, the US&FCS provided 186 workweeks to NOAA/National Marine Fisheries Service (NMFS) in support of seafood exporting programs. In accordance with the 1982 MOU, US&FCS officers have provided assistance to American business representatives in facilitating seafood sales; developing, analyzing and reporting on a regular basis intelligence related to market trends and fisheries technology, and provided support for trade promotion events, such as trade fairs and missions, technical sales, seminars, and video catalog exhibitions. In addition, US&FCS prepared the first-ever export statistics profile (a computerized study) on world market trends in seafood, now being used by the seafood industry to identify markets. The recent "ANUGA-85" Seafood Exhibition, in Cologne, West Germany, which was sponsored by US&FCS and NMFS generated over \$6 million in U.S. seafood exports off the floor with projected sales of \$32 million over the year. In FY-86, we plan to provide approximately 200 workweeks worldwide for Fisheries Export Promotion activities.

Dr. Tapan Banerjee, who was detailed in 1984 to ITA from NOAA to serve as liaison with NOAA on seafood promotion, has been extended until July 30, 1986. His role is to coordinate fisheries promotion activities between NOAA and International Trade Administration (ITA). The US&FCS will continue to devote the time and effort necessary to ensure American seafood exports are expanded, and to redress the \$4.8 billion trade deficit in this product category. We are preparing to launch a series of seafood export seminars organized by the district offices, and to assign the fisheries responsibility in each country on a priority basis to an officer or Foreign Service National. Finally, efforts will be made to expand the number of trade missions and seafood exhibitions sponsored under the support of the US&FCS in the coming year.

POST-HEARING QUESTIONS OF CHAIRMAN GARN AND THE ANSWERS

Question. You have never been a businessman, yet you have been nominated to head a vital service for businessmen. Why do you feel you are qualified for the job?

Answer. Before joining the Administration in 1981, I practiced law with O'Melveny & Myers, a law firm in California. Several of the firms we represented were involved in international trade and I gained private sector insight from this exposure.

Since joining the Department of Commerce, I have worked closely with the U.S. and Foreign Commercial Service (US&FCS) and have had the opportunity to meet businessmen throughout the world and learn first-hand the frustrations and successes they experience in the global market. I have worked on numerous occasions with the US&FCS District Offices, in conjunction with the Caribbean Basin Initiative, with promoting Foreign Sales Corporations, with developing Export Trading Companies, and with promoting Government Procurement Conferences. This experience has given me a chance to hear and see the problems small- and medium-sized business is confronting in expanding markets abroad.

As the principal Deputy Assistant Secretary for International Economic Policy, I have also been involved in promoting U.S. products abroad. I have worked closely with overseas officers to develop Post Commercial Action Plans (PCAP). These plans outline aggressive and promotional objectives to be implemented by the overseas offices. In this capacity, I also supervise the senior commercial officers, reviewing their accomplishments to ensure maximum coverage of our goals.

I am also involved with government-to-government negotiations to analyze the difficulties of making overseas sales and to develop trade promotion objectives for the International Trade Administration (ITA).

Additionally, I was involved in the creation and development of the Export Promotion Services (EPS) of the US&FCS. EPS develops and delivers services and products for the American business community. This is a "customer driven" operation which allows US&FCS to deal directly with small- and medium-sized firms.

My greatest experience during the past few years has probably been working with these firms to explore trading opportunities overseas. I have learned several things from this experience, primarily: (1) what American businesses need from the U.S. government on the trade promotion front and, (2) how our government must work with business to increase the base number of companies exporting and the number of U.S. goods exported.

I believe the experience and information I have gathered during the past three years will help me function effectively and productively as the Director General of the US&FCS and assist the American business community in expanding our overseas markets.

Question. The Foreign Commercial Service has been criticized for not devoting adequate resources in the countries that are our major trading partners or which hold the best potential for expanding U.S. exports. Do you agree with this criticism, and if so, what could be done about it? If not, why not?

Answer. Since the establishment of the Foreign Commercial Service under the Department of Commerce in 1980, a complex country evaluation matrix has been used on a regular basis for allocation of worldwide staffing. The US&FCS staffing model takes into account such factors as market growth, market size, trade policy factors, best market potential, industry priorities, export control needs, the degree of difficulty in performing commercial work, major projects, and selected other factors, appropriately weighted, and ranks countries in terms of the importance of the markets. We think the assistance provided by this sophisticated model represents a quantum leap in determining appropriate levels of staffing for our commercial offices around the world.

In addition to use of the matrix formula for identifying staffing, the U.S. and Foreign Commercial Service in July 1982 undertook a major redeployment exercise. This exercise was based on the necessity to reassign existing manpower resources to posts which were of greatest commercial significance, or which had importance to President Ragan's Caribbean Basin Initiative. The "swap" between State and Commerce served to realign total commercial responsibilities and allowed Commerce to concentrate its forces in those countries which have the greatest commercial potential. The exchange consisted of fourteen positions, but involved only three American officer positions. Although the Commerce Department returned in this swap seven countries to State's jurisdiction, these seven markets constituted only a combined total of one half billion dollars per year in U.S. exports for the countries where we expanded our resources as a result of this swap. We also took over for the first time commercial responsibilities in Jamaica and Barbados, thus furthering the ability to fulfill the President's Caribbean Basin Initiative.

Since the conclusion of the exchange of positions, effective on October 1, 1984, we have continued to be responsive in allocating staff based on market demands and opportunities. For example, in response to emerging commercial conditions in the Peoples Republic of China, we undertook a special China recruitment effort, and opened four offices with eleven new commercial officers. In London and Tokyo, new officers were added with special responsibilities for monitoring competitive developments in computers and bio-technology. Just this year, we added five new junior officer positions in selected posts, reflecting both the need for additional resources at these posts, and the opportunities for training new officers. In conclusion, the US&FCS has worked hard and will continue to work hard to allocate resources prudently.

Question. The Commerce Department currently relies upon US&FCS officers to assist in gathering information that is important to the Department's export control activities. Next October, export administration will be removed from the International Trade Administration, the division of Commerce where the US&FCS is also located. Do you believe that the US&FCS will be able to continue to provide its current level of assistance and cooperation when export administration is no longer within ITA?

Answer. First, the U.S. and Foreign Commercial Service (US&FCS) recognizes the importance of effectively discharging our export control responsibilities. The role our officers play in helping the American business community understand export controls and licensing requirements, is a significant part of the activity of our officers and accordingly included in their performance plans.

In connection with our ability to carry out the function after there is a split in responsibilities for the Export Administration Act, let me first underscore my commitment to discharging US&FCS responsibility regardless of organizational structure. However, the potential exists for additional communication or coordination efforts. It is difficult at this time to attempt to anticipate the extent and nature.

Accordingly, it is hard to project the additional resources, if any, that would be necessary to guarantee how the responsibilities will be effectively discharged.

Question. Mr. Good, the Commerce Committee is very interested in Americanizing the fisheries within 200-miles of our shores. The goal is to harvest and export to foreign nations a much greater proportion of our abundant fishery resources which are now being caught by foreigners and sold back to us. I am interested in learning

what you will do to achieve this goal and will provide you with a question for your response in writing.

Answer. The U.S. and Foreign Commercial Service (US&FCS) has been involved with and will continue its direct role in supporting seafood exports. The US&FCS has been actively cooperating with the National Oceanic and Atmospheric Administration (NOAA) on seafood promotion programs for several years. The US&FCS provided 186 workweeks in FY-85, to support seafood exporting programs. The US&FCS prepared this year the first-ever export statistics profile, identifying world market trends in seafood, which is now being used by the seafood industry to identify markets. We have a seafood promotion coordinator, Dr. Tapan Banerjee, who is detailed to International Trade Administration from NOAA. We are targeting the promotional activities in FY-86 for over 200 workweeks worldwide, and expanding the number of seminars held by district offices, and international exhibitions and trade missions supported by overseas posts. Should the program of Americanizing the fisheries within 200-mile limits be successful, we will adjust our export promotion efforts to account for the substantial increases in U.S. seafood catch.

Question. What are the primary problems among the Commerce Department's District International Trade Offices? You mentioned in your nomination statement that you have become familiar with problems in those offices.

Answer. The problems I referred to in my nomination statement are twofold. The first have to do with the problems faced by our nation's manufacturing and service sectors in their attempt to export. The high dollar, LDC debt, and unfair trading practices are among the major problems faced by the business community in making international sales. It is our job to analyze the needs of the private sector, especially those small to medium-size companies, and decide how we can overcome obstacles and be successful in the international market. The challenge for us is to devise and implement programs that help small and medium-size businesses gain greater access to the international marketplace and increase U.S. exports.

The second set of problems deals specifically with our relationship to the private sector. Many small and medium-size firms are unaware of the opportunities available to them through exporting. They are afraid to experiment with the global process and do not know where to go for advice and counsel. Closely related to this element is the lack of sophistication of many U.S. businesses in matters of international trade. Our challenge in this area is to escalate the number of new-to-market and new-to-export (NTM/NTE) firms with an ongoing commitment to exporting.

Question. Will the US&FCS help the Bureau determine areas of international standards in which it should be working?

Answer. US&FCS field officers, both foreign and domestic, in their constant contacts with U.S. businesspersons, frequently learn of standards-related (i.e. non-tariff) barriers which impede the sale of U.S. products in specific countries. ITA will work to establish a mechanism for communicating these instances to NBS. In addition, where barriers cannot be overcome by standards or technical modifications, we are working to establish a method for NBS to alert ITA when the issue may have to be resolved by bilateral negotiations. Currently both ITA and NBS are studying the various ITA programs and activities in order to determine additional areas in which ITA can assist the Bureau in its work.

Question. Why doesn't the service concentrate on selecting personnel with more private sector experience?

Answer. The recruitment process employed by the US&FCS has placed and will continue to place considerable weight on private sector experience. As a result the private sector is well represented in the FCS. Of the preceding 199 officer pool, 57% were hired directly from the private sector, and 43% were hired from government. Of the government hires, a significant proportion have private sector experience also.

Our special recruitment efforts for China, Japan and a high-technology industrial sector were directed to a strong private sector background. There was extensive advertising in the private sector for all FCS recruitment effort, except the current lateral entry program (even here however, almost 50% of the 42 candidates are limited appointments with private sector backgrounds).

Applicants for mid-level and senior level career-candidacy regardless of their source must have had significant overseas experience; either business-related or related in some way to the work of the US&FCS.

Question. The U.S. and Foreign Commercial Service was created to give more adequate attention to trade and business matters at our Embassies. Do you believe that there is now adequate attention given, or do US&FCS officers still have difficulty in fulfilling their mission since they do not have the same rank as Ambassador, and

must serve under State Department Mission Chiefs who may not be sensitive to trade concerns?

Answer. The working relationship between the Senior Commercial Officers (SCOs) within the U.S. and Foreign Commercial Service (US&FCS) and the State Department's Ambassadors or Chiefs of Mission (DCMs) is quite good. To establish parity among the SCOs and DCMs, the Departments of State and Commerce signed a Memorandum of Understanding (MOU) on September 26, 1979. The MOU states that the SCO in each country will report directly to the Chief of Mission, and its provisions for direct access are now enforced virtually at all posts.

Initially some problems were experienced when State transferred commercial responsibilities to the Department of Commerce. However, since that time, the relationship has, by account of most involved parties, improved significantly. Both State and Commerce have worked hard to improve our ability to work together. For example, most Ambassadors have been willing to make SCOs full members of the country teams. This acceptance is extremely valuable now that international trade has been recognized as a major factor in our economic and societal relations with other countries.

While great strides have been made during the past few years, we acknowledge some improvements can still be made. For instance, no SCO has yet been delegated responsibility from an Ambassador to coordinate economic commercial activities within a mission. Also, US&FCS may, at times, disagree with State on staffing levels.

US&FCS will continue to work with State to overcome these program deficiencies and we will continue to support complete parity between commercial and economic rank within the Embassies.

POST-HEARING QUESTIONS OF SENATOR PROXMIRE AND THE ANSWERS

Question. Please supply the Committee with a list of the positions specifically designated for the Foreign Commercial Service (FCS) officers by position grade in FCS-grade equivalents, and a parallel list of the number of FCS officers by grade.

Answer. The number of positions designated for FCS Officers and number of FCS Officers by Class are listed below.

Class	Designated positions	Total	Number of FCS officers		
			Career officers	Career candidate officers	Noncareer officers
Career minister.....	0	0	0	0	0
Minister counselor.....	7	5	1	0	4
Counselor.....	12	15	12	0	3
1.....	50	46	19	13	14
2.....	69	63	22	25	16
3.....	39	37	6	25	6
4.....	11	20	0	12	8
5.....	4	0	0	0	0
6.....	0	1	0	0	1
Training.....					
Complement.....	6				
Total.....	198	197	60	75	52

Question. For the list of FCS career and career candidate officers, please provide a breakdown in one-year increments at each grade level for the time in grade prior to promotion to the next higher grade, and in a separate column, the time in present grade (number less than one year, less than two, more than two).

Answer. Provided is a list of FCS career and career candidate officers by class. The number of years in current and previous class is rounded to the nearest whole year. This list is based on October 31, 1985 data.

TIME IN PRESENT AND PREVIOUS CLASS OF CAREER AND CAREER CANDIDATE OFFICERS

Officer	Current class (years)	Previous class (years)
---------	--------------------------	---------------------------

CLASS OF MINISTER—COUNSELOR

A.....	4	8
--------	---	---

CLASS OF COUNSELOR

A.....	2	4
B.....	1	6
C.....	3	2
D.....	1	10
E.....	4	10
F.....	4	7
G.....	3	3
H.....	3	6
I.....	1	3
J.....	2	3
K.....	4	4
L.....	1	2

CLASS OF FS-1

A ¹	4	
B ¹	3	
C.....	1	11
D.....	4	6
E.....	5	11
F ¹	5	
G.....	2	7
H.....	3	7
I.....	1	1
J.....	9	8
K.....	1	14
L.....	3	11
M ¹		
N.....	2	7
O.....	4	5
P.....	3	10
Q.....	2	3
R.....	9	2
S.....	4	1
T ¹	2	
U ¹	3	
V ¹	2	
W ¹	3	
X ¹	3	
Y ¹	3	
Z ¹	2	
AA ¹	5	
AB ¹	2	
AC ¹	5	
AD ¹	1	
AE ¹	3	
AF.....	1	4

CLASS OF FS-2

A ¹	5	
B.....	1	4
C.....	4	3
D.....	3	5
E ¹	4	
F.....	7	5
G.....	5	3

TIME IN PRESENT AND PREVIOUS CLASS OF CAREER AND CAREER CANDIDATE OFFICERS—Continued

Officer	Current class (years)	Previous class (years)
H ¹	4	
I	1	1
J	1	4
K	3	1
L	6	4
M ¹	5	
N ¹	4	
O	1	2
P	4	3
Q ¹	4	
R	3	2
S ¹	8	
T	3	6
U	3	4
V ¹	5	
W	1	4
X ¹	2	
Y ¹	1	
Z ¹	1	3
AA ¹	1	
AS ¹	1	
AC	1	2
AD ¹	3	
AE ¹	2	
AF ¹	1	
AG ¹	1	
AH ¹	3	
AI ¹	1	
AJ ¹	1	
AK ¹	3	
AL ¹	2	
AM ¹	3	
AN ¹	2	
AO ¹	1	
AP ¹	1	
AQ ¹	3	
AR ¹	3	
AS ¹	2	
AT ¹	1	
AU ¹	1	

CLASS OF FS-3

A	1	5
B	3	4
C ¹	4	
D	1	2
E	3	3
F	4	3
G ¹	2	
H ¹	3	
I ¹	3	
J ¹	2	
K ¹	3	
L ¹	3	
M ¹	2	
N ¹	1	
O ¹	4	
P ¹	2	
Q ¹	2	
R ¹	2	
S ¹	3	

TIME IN PRESENT AND PREVIOUS CLASS OF CAREER AND CAREER CANDIDATE OFFICERS—Continued

Officer	Current class (years)	Previous class (years)
T ¹	3	.....
U ¹	1	.....
V ¹	2	.....
W ¹	-1	.....
X ¹	1	.....
Y ¹	-1	.....
Z ¹	1	.....
AA ¹	3	.....
AB ¹	4	.....
AC ¹	-1	.....
AD ¹	4	.....
AE ¹	-1	.....
CLASS OF FS-4		
A ¹	-1	.....
B ¹	3	.....
C ¹	1	.....
D ¹	-1	.....
E ¹	1	.....
F ¹	1	.....
G ¹	2	.....
H ¹	-1	.....
I ¹	3	.....
J ¹	2	.....
K ¹	3	.....
L ¹	1	.....

¹ Indicates officer entered the FCS at current class.

Question. For each grade provide a separate table showing the number of career and career candidate FCS officers occupying positions at their present grade level, the number occupying positions below their present grade level, and the number above their present grade level.

Answer. Below are the Career and Career-Candidate Officers by Personal Rank and Position Rank.

Class	Number occupying—		
	Position above personal rank	Position of personal rank	Position below personal rank
Career minister.....	0	0	0
Minister counselor.....	0	1	0
Counselor.....	1	4	7
1.....	7	18	7
2.....	8	30	9
3.....	19	11	1
4.....	10	2	0
Total.....	45	66	24

Question. What percent of new FCS officers are hired at entry levels (FS 6-5), mid-levels (FS 4-3-2), and senior levels (FS-1-SFS)?

Answer. Since 1981 a total of 199 officers were hired into the Foreign Service of the Department of Commerce (this number does not include the 30 FSO's from State which entered through the "open window" in 1980). Of the group of 199 officers, 32% were hired at the senior level, 67% were hired at the mid-level, and 1% were hired at the entry level.

This hiring pattern was established to meet the number and level of positions to be filled. Of the 198 FCS officer positions currently established (includes FCS Export Development Office and domestic designated positions), 33% are at the senior level, 65% are mid-level, and only 2% are entry level. The following table illustrates the above.

[In percent]		
Level	Positions	New hires
Senior (FS-1-SFS)	33	32
Mid-level (FS-2-4)	65	67
Junior (FS-5-6)	2	1
Total	100	100

Beginning this fiscal year, the US&FCS has begun its Junior Officer program. Entry level positions have been established at major embassies overseas.

It is our intention to recruit 6-10 new officers each year through the annual foreign service examination process administered by the State Department Board of Examiners. Even here, each candidate who successfully makes the rank order register will be further reviewed by the US&FCS to assure he has appropriate academic credentials, private sector experience, language skills or aptitude, and a strong interest in international trade and the US&FCS.

Question. Please provide the Committee with records on the length of service of FCS career and career-candidate officers over the period since its foundation. Include only those selected for retention or newly recruited, not those inherited but not selected for retention in 1980. Provide a breakdown in one-year length of service increments, showing the numbers who have served only one year, two years, etc.

Answer. Length of Service of Career and Career-Candidate Officers is listed below.

	5 years	4 years	3 years	2 years	1 year	Less than 1 year
Career	11	41	8	0	0	0
Career candidate	2	4	20	19	19	11
Totals	13	45	28	19	19	11

Question. What is the present turn-over rate in the service for FY 1984 and FY 1985?

- (a) From voluntary resignations;
- (b) From time-in-class limitations;
- (c) From completion of limited non-career appointments?

Answer. Attrition in the FCS:

CAREER AND CAREER CANDIDATE

	Fiscal year—	
	1984	1985
Resignations	3	1
Separations	0	1
Retirements	2	2
Deaths	0	2
Total	5	6
Completion of noncareer limited appointments	11	6

Question. What changes were made in response to the GAO Report on Foreign Service Officers' Training Program?

Answer. The GAO raised concerns in two major areas of training: general preparedness for assignments overseas and language proficiency. The GAO also reported that the US&FCS lacked the headquarters staff necessary to provide adequate day-to-day support.

When the study resulting in the GAO report was conducted, the U.S. and Foreign Commercial Service was a relatively new agency operating largely in a start-up mode. The emphasis at that time was on filling vacancies overseas. Training was provided primarily by scheduling officers for whatever was available at the Foreign Service Institute. As a result of the GAO report, the US&FCS now has a staff assigned to provide training designed to meet the specific needs and career development of Foreign Commercial Service Officers. A summary of our major training programs is provided.

NEW FOREIGN SERVICE OFFICERS

All new officers whether recruited from within the International Trade Administration or from the private sector are not assigned to posts overseas without first completing an extensive orientation.

This program consists of the N-106 course which provides an introduction to the Foreign Service at the Foreign Service Institute (FSI); Area Studies on the customs, politics and aspects of life in the host country; Counter Terrorism Course; the short Consular Course which is required for Consular Titles; introduction to Department of Commerce programs including export controls, which involves an extensive consultations schedule with the program managers of each of the major ITA programs overseas and consultations with U.S. firms, trade associations, banking institutions, state development agencies, and district offices having business interests in host country.

In addition, the US&FCS has developed a Career Officers Professional Development Training Continuum. As they move through their careers, officers are required to progress through a continuum of training activities.

JUNIOR OFFICERS

The Junior Officer training program is designed to prepare new recruits for a career in the US&FCS. This program provides an in-depth understanding of the organization and work of the US&FCS. Under the program Junior Officers spend time at FSI in A-100 course with their peers from the other foreign affairs agencies for an orientation to the Foreign Service; both in Washington and the U.S. District Offices to learn about Commerce programs; in language training; and at a FCS post overseas.

MIDLEVEL OFFICERS COURSE

This new residential training program brings mid-level officers to Washington for training in four major areas: personal skills development; post administrative management; an in-depth look at Commerce programs, especially market research and export control; and current Import/Export issues.

SENIOR FOREIGN SERVICE SEMINAR

The US&FCS has a small cadre of Senior Foreign Service Officers. The development of an agency specific program would not be cost effective. Currently we are working with the FSI as it revises its training programs for senior officers.

FCS MANAGEMENT SEMINAR

This seminar is aimed at those officer who are Senior Commercial officers in country. It is designed to prepare them to assume the more weighty responsibilities inherent in that position. Topics covered by this seminar are personnel, post administrative management and Commerce program management issues. These seminars are generally held in conjunction with our Senior Commercial Officer Regional Conferences.

CAREER DEVELOPMENT FUND PROGRAM

This program is open to all career and career-candidate officers. The program allows officers while in country to select and participate in specific training activities that are available overseas. To participate each officer notifies US&FCS in Washington of the type of training desired. Washington then queries a worldwide

training events data base to locate the desired training. This program provides training tailored to meet the specific needs of officers posted overseas who would not normally have access to available training.

FOREIGN SERVICE NATIONAL ORIENTATION TO U.S. INDUSTRY PROGRAM

Foreign Service Nationals are a critical human resource of the US&FCS overseas. This program brings senior Foreign Service Nationals to the U.S. for a six-week program for orientation to U.S. industry business interests and Commerce programs.

DISTRICT OFFICE TRADE SPECIALIST ORIENTATION PROGRAM

This program is designed to provide domestic employees working in our U.S. District Offices with an opportunity to experience first-hand and to participate in the work of our posts overseas. This new program has contributed to the development of a closer working relationship between overseas posts and the District Offices located in each State.

Since the GAO report, foreign language ability has received singular attention in making overseas assignments. As a matter of policy no officers are assigned overseas who lack the necessary language proficiency for the position. The US&FCS has 110 language designated positions, of that number 97 percent of occupied positions are filled with officers who have been trained in that language. Note that the US&FCS has a higher than usual percentage of its total overseas positions language designated.

The US&FCS today is typified by excellence in language ability. A demographic survey conducted by the Board of Examiners for the Foreign Service (April 1984) found that the US&FCS had the highest percentage of language qualified employees. The US&FCS has 132 officers certified by the FSI as proficient in a "World Language" and 71 officers who are certified as proficient in a "Hard Language".

POST-HEARING QUESTIONS OF SENATOR SASSER AND THE ANSWERS

EFFORTS TO EXPAND SMALL BUSINESS ACCESS

Question. What efforts are being made to expand small business access to international markets? What would you, personally, be prepared to contribute to the process?

Answer. I personally am prepared, as part of a broad US&FCS initiative to expand small business exporting activity, to:

Direct that US&FCS' trade promotion emphasis focus on markets of opportunity which hold special promise for small and medium size firms.

Implement a new National Export Awareness Campaign, in conjunction with the Advertising Council, to expand small firms' export awareness and to reinforce the image of the US&FCS as the source of assistance for small exporters. Our efforts will include proposals for the development of a new national export symbol and slogan, and the first-ever exporting postage stamp. We will also develop special small business targeted issues of publications, like Commercial News USA.

Initiate a new pilot Rep Fair program. A trade mission-type event without the frills, Rep Fairs scheduled for FY 1986 will give up to 300 exclusively small, new-to-export (NTE) firms an opportunity to participate in targeted overseas events at virtually no cost other than their own travel. We will accomplish this at no direct cost to the government, by charging fees to attendees (rather than participants) calculated to recover our costs.

Launch a new and improved Foreign Buyer Program designed to attract more foreign businesspersons to our domestic trade shows to give small, new-to-export firms access to qualified foreign buyers without having to leave the U.S.

Expand our highly successful joint trade promotion efforts with the Small Business Administration (SBA), staging three to four low-cost "Matchmaker" type events in Europe during FY 1986, and providing expanded support at post to facilitate SBA's own small business trade mission program.

Improve the flow of commercial information to small firms by implementing our new Commercial Information Management Systems (CIMS). CIMS will automate much of the commercial information flowing in from our overseas posts and greatly improve our capability to counsel and assist small, new-to-export firms.

Redirect our market research program by making it more product and sub-sector specific so that it better meets small firms' market intelligence needs. And, offer new information services, such as Comparison shopping, that provide small, NTE

firms concise answers to key questions on pricing, competitive, and distribution practices of their specific product *vis a vis* overseas competitors.

Review overseas event costs, with a view to lowering fees wherever we can do so without jeopardizing the quality and usefulness of the service we deliver. Where we cannot lower fees, we will add greater "added value" to participants in the form of better assistance to NTE/NTM firms before, during and after events and "bundling" of services and information.

Question. Do you have any plans to improve the World Trade Data Reports? How efficient is that system now?

Answer. The World Trade Data Reports (WTDRs) service was substantially revised over a year ago when it was decentralized and became strictly an operation between US&FCS District Offices and overseas posts. This direct communication has alleviated one of the biggest problems which was delayed turnaround time. Other problems centered around the quality of the WTD reports which varied from post to post depending on the amount of time and personnel resources available.

Although improved during the past year, quality can still be improved. The debt problems faced by many countries necessitate the need by small- and medium-size U.S. companies for more comprehensive credit and financial information on foreign companies. We are reviewing ways to provide this additional information at no additional cost.

After the service was decentralized, another problem developed. The lack of a central file of current WTD reports resulted in duplication of efforts. To correct this problem, we are returning to a centralized data base of WTD reports which posts and District Offices will be able to access. We expect this automated system will be operational within the next 10-12 months.

The WTD report service is one of our best products for the small- and medium-size U.S. company. It is relatively low in cost, compared to commercial services such as Dun and Bradstreet, and provides users with sufficient information about a foreign company to enable the user to make an informed decision.

Question. There was an article in yesterday's Wall Street Journal that caused me considerable concern. I am not sure whether the remedies to this problem would be within your jurisdiction if you are confirmed. But I would like to get your response. If this would not be your job, I would like to know whose it is. The article dealt with the early saturation of Chinese Markets by Japanese business. First of all, I would like to hear a little about what you have experienced with regard to such Japanese practices. There is another, more subtle aspect to competition in foreign markets that was raised in the Wall Street Journal article, i.e. the need to learn the cultural norms of foreign lands. Our State Department, and more importantly, our Commerce Department have been involved in cross-cultural understanding for a long, long time. How can this accumulated wisdom be made available to American business?

Answer. With respect to Japanese business practices throughout Asia, there is no doubt that the Japanese are extremely aggressive and seemingly omnipresent in the area. Unlike American firms, they seldom compete against each other for a specific piece of business; rather a standard bearer is chosen. US&FCS officers report that Japanese firms more readily accede to customers' requests for modifications in a product and do not charge for modifications. Japanese firms seem more willing to countertrade because the trading company system can easily dispose of products and commodities taken in countertrade. This is advantageous in dealing with countries such as China, Indonesia and the Philippines.

The Japanese have been particularly aggressive in new markets, such as China, where they key their pricing and financing policies so as to capture quickly the largest share of these newly opened markets. Huge price discounts on initial sales, mixed-credit financing and countertrade operations performed by Japanese trading houses have all been part of this strategy. Nevertheless, the market share for U.S. manufactured products has been growing. This is due partly to the relaxation in our export control policies toward China. It is also a result of a conscious policy by Chinese decision-makers to diversify their import sources and to find the most advance technologies. I am convinced that U.S. firms can best succeed in China by competing on the basis of the quality of their technology and continuing support for their Chinese customers.

It is natural that the Japanese are more attuned to cultural practices in Asia because they are Asian. This does not mean that they are universally well-liked by prospective customers in other Asian countries. In fact, they are somewhat resented in many Asian communities, for many reasons. We have noticed growing Chinese hostility towards Japan and Japanese business practices, which has manifested itself in several recent anti-Japanese demonstrations.

Japanese trade and investment in Asia basically is for the benefit of Japan. Investment other than in raw material sources and marketing facilities is limited. In fact, U.S. firms are the largest foreign equity investors in China.

An important function of the US&FCS is to provide cultural advice to visiting U.S. businessmen, and alert them to customs and practices which differ from those in the U.S.

US&FCS officers brief businessmen on customs as part of their cultural orientation to the market. In short, the importance of cultural aspects of doing business abroad is a standard part of the services provided by the US&FCS.

